

Message Text

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 9740

UNCLAS BUENOS AIRES 2304

FOR COM/BEWT/OEWPP

E.O. 11652: N/A

TAGS: EEWT, EFIN, AR

SUBJECT: GOVERNMENTAL TRADE CREDITS FOR CUBA

REF: STATE 040098

1. EMBASSY'S UNDERSTANDING OF CUBAN CREDITS SITUATION IS AS FOLLOWS: ON AUGUST 24, 1973, THE GOA SIGNED AN AGREEMENT WITH CUBA GIVING THE GOC A US\$200 MILLION DOLLAR EXPORT CREDIT, THE VALIDITY OF THE CREDIT WAS A YEAR. FIFTEEN PERCENT OF THE FOB VALUE WAS TO BE PAID IN CASH, WHILE 85 PERCENT WAS TO BE FINANCED OVER A TERM OF 8-1/2 YEARS AT 6 PERCENT. THE AGREEMENT ALSO CALLED FOR 100 PERCENT OF THE RESULTING SHIPMENTS TO BE MADE ON ARGENTINE BOTTOMS, AND FOR RELATED INSURANCE TO BE ISSUED BY ARGENTINE COMPANIES.

2. ON JUNE 26, 1974, AN ADDITIONAL CREDIT AMOUNTING TO US\$400 MILLION DOLLARS WAS SIGNED WITH CUBA. THIS AGREEMENT HAD A TWO-YEAR PERIOD OF VALIDITY AND THE SAME TERMS AS THE CREDIT REFERRED TO ABOVE, EXCEPT THAT THE INTEREST RATE WAS THEN SET AT 7-1/2 PERCENT FOR THE ENTIRE AMOUNT OF THE CREDITS, I.E. US\$600 MILLION.

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3. THESE-CREDITS WERE MADE OPERATIONAL THROUGH AGREEMENTS BETWEEN THE CENTRAL BANKS OF THE TWO COUNTRIES. CUBAN IMPORTERS THEN WORKED OUT FIRM BY FIRM AGREEMENTS WITH ARGENTINE COMPANIES. MOST OF THE PRODUCTS PURCHASED HAVE BEEN IN THE CAPITAL GOODS CATEGORY, BUT ARGENTINA HAS SOLD SOME CONSUMER GOODS

SUCH AS PASSENGER CARS, AT THE GENEROUS FINANCING TERMS OUTLINED IN PARAGRAPHS 1 AND 2.

4. AS OF JUNE 26, 1976, WHEN THE VALIDITY OF THE CREDITS EXPIRED, ONLY US\$460 MILLION DOLLARS HAD BEEN COMMITTED. AS OF THE END OF FEBRUARY 1977, US\$240 MILLION HAVE BEEN DISBURSED AND US\$25 MILLION HAVE BEEN REPAYED BY THE CUBANS.

5. AT THE TIME OF THE SIGNING OF THE SECOND CREDIT, THE POSSIBILITY OF FURTHER EXPANDING THE CREDIT LINE GIVEN TO CUBA BY US\$600 MILLION IN THREE ADDITIONAL ANNUAL TRanches OF US\$200 MILLION EACH WAS PUBLICLY DISCUSSED BY THE PERONIST ADMINISTRATION. HAD THIS EXPANSION BEEN IMPLEMENTED, CREDITS TO CUBA WOULD HAVE TOTALLED 1.2 BILLION DOLLARS, THE AMOUNT REFERRED TO IN REFTEL. THIS INTENTION WAS NOT CARRIED OUT BY THE PERONISTS BEFORE THEY LEFT FROM OFFICE, HOWEVER, AND IT APPEARS UNLIKELY AT THIS TIME THAT THE PRESENT GOVERNMENT WILL EXTEND ADDITIONAL CREDITS TO CUBA.

6. COMMENT: THESE AGREEMENTS CAUSED ARGENTINA SOME CONCERN WHEN, IN LATE 1976, CUBAN IMPORTERS HALTED THE FLOW OF SHIPMENTS (EVEN THOUGH THEY STILL HAD US\$220 MILLION IN AUTHORIZED CREDITS LEFT IN THE PIPELINE. AN ARGENTINE DELEGATION HEADED BY THE SECRETARY OF FOREIGN TRADE THEN VISITED CUBA TO ATTEMPT TO RESOLVE THE PROBLEM AS THE GOA WAS UNCLASSIFIED

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ANXIOUS NOT TO LOSE THIS MARKET FOR EXPORTS AT A TIME OF DOMESTIC RECESSION. GOA OFFICIALS RETURNED FROM CUBA CONVINCED THAT THE CUBAN GOVERNMENT'S SHORTAGE OF FOREIGN EXCHANGE RESULTING FROM THE DECLINE OF INTERNATIONAL SUGAR PRICES WAS RESPONSIBLE FOR THEIR ATTEMPT TO POSTPONE THE DELIVERY OF THEIR PURCHASES. APPARENTLY, THE VISIT WAS SUCCESSFUL, AS IT IS REPORTED THAT SHIPMENTS HAVE RESUMED.
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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
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